



2006 Competitive Request for Proposals

Instructions for Application Form

March 2006



Virginia Department of Housing and
Community Development

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Overall instructions: Use the table format on the application form that is provided as a MS Word document. Use a font size of at least 10. Keep the headings of each of the questions in the table in **BOLD** and provide your responses below these headings in normal type (not bold or italics). You may change the height of the rows of the tables in order to clearly explain your answers. However, a balance between brevity and providing all the necessary details is needed. Whenever you are able, please use bulleted statements instead of narrative statements. For those questions in which narrative statements are necessary, please keep your response limited to one page or less.

Note: In this application, microenterprise is abbreviated as “ME” and microenterprise development organization is abbreviated as “MDO”.

Cover Sheet
Complete the cover sheet.

Title Page
1. Insert your organization’s name in the header. 2. Date the document. 3. Insert your organization’s name, address, contact name with title, phone number, fax number, and e-mail address. 4. Include your organization’s logo and tag line, if applicable.

Executive Summary

This is a very important aspect of your plan because it provides the reader with his first impression of your plan. Complete this section after you have completed the rest of the plan

1. High-level overview of entire plan and factors that will lead to your success: Provide a high-level overview and convince the reader of the success that your organization will experience. Summarize the highlights of the plan and provide a snapshot of your organization.

2. Amount of VEI grant funds you are seeking: Enter the required amount. For FY 07, VEI funding is limited to \$53,000 per organization.

3. Purpose of VEI grant funds for your program: Explain how VEI funds will be used in your MDO and why they are important to your ME program.

4. Why is your ME program a sound investment of VEI funds? Answer this question in terms of the outcomes that you are projecting and how they provide a solid return on investment of VEI funds. How does DHCD's investment in your program capitalize on the mission of the VEI program noted below:

- Economic independence for disadvantaged populations (Economic independence is defined as ME self employment or ME income patching that raises a family's income above the poverty level. Disadvantaged populations can be low-income, low- to moderate-income, minority, female, or another defined cohort accepted by DHCD, such as immigrant, refugee, etc.)
- Creation, expansion, retention, and strengthening of ME businesses

Organizational Capacity

This section provides organization specific information by describing your organization, its leadership, management, mission, objectives, partners, history, and staff. If your ME program is part of a larger organization, this section allows you to explain how your ME program fits into the larger organization.

1. Name: Your organization's name

2. Year began: Year your organization started

3. Year ME program started: Year your ME program started (may or may not be the same as the year the organization started)

4. Mission: Write your organization's mission. If your ME program is one component of a larger organization and it has its own mission, include the ME program's mission also.

5. Goals and objectives: List the goals and objectives of your organization. If your ME program is one component of a larger organization and it has its own goals and objectives, include the ME program's goals and objectives also.

6. Primary services delivered: List the primary services delivered by your organization. If your ME program is one component of a larger organization and it has a subset of services that it delivers, include the ME program's subset of services also.

7. Partners

Partner's name

List organizations that partner with your organization.

Services provided by partner

List the services that your partners provide for your ME clients or program (e.g., credit repair for ME clients, business counseling, source of referrals, etc.)

8. Brief history of ME program: Provide a brief history of your ME program. Include how the program started, how the program has evolved, and whether products, services, targeted markets, clients, or service areas have changed over time.

How has the MDO been successful to date?: Discuss the program's success in reaching its mission to date and how this relates to its potential as a VEI site. Provide specific, quantitative examples.

9. ME staff: Complete the chart provided in the application with all ME staff, including employees, trainers, contract workers, part-time workers, and volunteers.

10. Attach an organization chart that identifies all staff by name and title. Attach a comprehensive organization chart that shows all of the ME staff. If your ME program is one component of a larger organization, show how it relates to the larger organization on this chart. Attach resumes of all ME staff. (Attachment A).

11. Explain how delivery of ME will be managed. How will staff organize and manage the program? How will the program be evaluated by the MDO? Note: This is not a discussion of how clients move through your program.

Target Market Analysis

This section allows you to show an overview of your market and an explanation of the people and communities in your target market. Included in this analysis are determinations of the demographics of your targeted clients and the quality of the business environment in terms of ME entrepreneurship opportunities. In this section, ME businesses refer to those owned by microentrepreneurs, not organizations that provide services to microentrepreneurs. As such, answers should be reflective of what microentrepreneurs face in operating their businesses.

- 1. Service area:** Describe your service area by locality. If you serve only part(s) of any locality, provide a detailed description of what part(s).
- 2. Types of small and micro businesses currently within your service area:** List the current types of businesses in your service area. Indicate from which source you acquired this information.
- 3. Current business environment in your service area:** Describe the current business environment as it relates to ME businesses.
- 4. Explain the challenges and opportunities facing ME businesses and microentrepreneurs within your service area:** List these **challenges** and **opportunities** in the table provided in the application.
- 5. Explain the specific populations to be targeted:** List the population cohorts that your program will target. For each cohort, explain why DHCD should agree with your determination that it is a disadvantaged population and needs your ME services and VEI funds.
- | | |
|---|---|
| <p>6. Total population of service area: National trends show that approximately seven percent of any population wants to be self-employed. Use this section to identify the total population for the cohorts you want to serve. Seven percent of that population is your target market for ME services. Use the 2000 Census data. Census data can be found on the Internet at:
 http://www.coopercenter.org/demographics/CENSUS%20DATA/Census%202000/index.php
 Provide data only for the cohorts that your MDO is planning to serve. Include any other cohorts to show disadvantaged populations as you explained in #5 above. Once you have determined your target market, record this figure in the gray box on p. 5 and p. 14 (Attachment B) of the application form. Please be sure to complete the Annual Projections Chart (Attachment B) in its entirety.</p> | <p>Total in Service Area (In this column, enter the appropriate number for each cohort.)</p> |
|---|---|
- 7. Demographic trends:** Explain any significant demographic trends in your service area. Examples of demographic trends are an increased elderly population, a decreased minority population, an increased refugee population, etc.
- 8. Potential clients**

<p>Who are they? Identify the type of clients to whom you are marketing your ME services and products. Explain what methods you have used to identify clients and their needs.</p>

Target Market Analysis

What ME services do they need? Identify the range of services these targeted clients need. Explain how you determined this.

Your experience working with this target market: Explain your experience working with your target market. What ME services do you provide to assist this market? If you do not have experience with this specific market, what strategies do you have to work with it? List specific examples in answering these questions.

9. Competitor organizations

Who are they? Identify any competitor organizations you have. Consider all competitors, including other nonprofits and for profits (credit cards, banks, money lenders, client's family, etc.)

At what level do they compete with you? Discuss how each of these competes with you. (e.g., direct competitors, competitors which offer similar services, etc.)

Given competition, what will you have to do to be successful? Discuss how you will deal with each of these competitors. Why will clients select your ME services and products rather than your competitor's?

Products and Services

This section allows you to describe exactly what your MDO will offer its ME clients. Present your ME products and services in terms of the four components of the VEI program.

1. Training: Business Plan Development Training & Business Skills Training
2. One-on-One Technical Assistance
3. Microloans
4. Follow-Up or Post Loan Assistance

Also, describe any other services you are offering your clients who are potential or existing entrepreneurs.

Please refer to pages 16-17 of this instruction guide for VEI programmatic definitions.

1. Explain how ME clients move through your MDO (flowchart concept). Discuss the flow of the ME clients from initial contact through each component of your program. In your explanation, be sure to address how clients are recruited, how they are assessed, and how the services available are tailored to meet the client's needs. Explain this process for a client who has no business skills or training, an average client with some business skills and training, and a client who has a well-researched business plan and needs specialized assistance.

2. Business plan development training

What are the course topics and who will provide this training? Specify what partner or ME staff will provide this service. If a partner provides, explain how this works. Explain the partner's background in working with ME. Provide details on when and where the classes are provided, how often and the cost.

How will a business plan be finalized? Specify the training sessions and formats you will provide to assist your clients with completing their business plans. VEI defines a business plan as "a written document containing management, marketing, operational, market research, financial information that demonstrates the strengths and weaknesses of a business idea and the business' ability to succeed."

3. Business skills training

What are the session topics and who will provide this training? Specify what partner or ME staff will provide this service. If a partner provides, explain how this works. Provide details on when and where the sessions are provided, how often and the cost.

Which kind of ME client is this training targeted for? Specify the type of client who accesses this training (e.g. a microentrepreneur with a finalized business plan but who needs additional exposure to a particular topic).

4. One-on-one technical assistance

Who will provide this assistance? Specify what ME staff will provide this service and explain how this works.

How will this assistance be provided? Specify the kind of assistance and format you will provide to help your clients.

Products and Services

5. Loan pool

Description: Describe your ME loan pool, including loan loss reserve, requirements or restrictions of other funders, and your MDO's access to the loan pool funds, etc. Please discuss the type of loans you are providing (start-up; character-based, etc.) and provide the maximum microloan amount, minimum microloan amount, and average microloan amount. If your MDO does not have an established loan program, please describe what you **anticipate** for loan provision.

Total amount available for lending: \$ Enter the appropriate figure here.

Sources of funding:

Source	Amount
List the sources of funding here.	\$ List the amount of funding here.

6. Lending criteria. Using the categories outlined in the application (underwriting requirements, collateral requirements, credit scoring or evaluation procedures, and interest rate and term restructuring), explain the specifics of your lending criteria. Remember that a primary residence cannot be used as collateral for VEI loans. Give two specific examples that demonstrate your policy on collateral for loans (what is criteria for "character loans"?; what are other types of collateral?). Note: "case by case basis" is not an acceptable answer.

What are the factors relating to successful loan applications? Explain the factors which contribute to successful loan applications (e.g. ability to repay, well-formulated business plan, etc.)

7. Microloan management

Describe the requirements of and operation procedures for the microloan program? Explain the requirements that a client must meet in order to access capital. Explain the steps involved in processing a loan.

Who will manage the microloan program and how will it be managed? Specify what partner or ME staff will provide this service. If a partner provides, explain how this works. Discuss, specifically, how this will be done (i.e. manual recording or specify a software).

8. Loan review committee. Using the chart in the application, list the members of your loan review committee. In the "role" column, indicate the perspective, knowledge, and expertise this person brings to the committee. For example, a banker may bring lending experience but also risk aversion to the committee. An entrepreneur may bring ME experience, less aversion to risk, and an understanding of a good business plan. An advocate of your clients may bring the ability to lessen any biases about your target population that other committee members may have. Explain how the members of your loan review committee provide the needed elements to balance its decision to make loans that, by their very nature of being brought to a ME program loan committee, have risk and involve a hard-to-serve population.

Products and Services	
9. Follow-up and Post loan assistance	
Who will provide this assistance? Specify what ME staff will provide this service and how it will work.	
How will this assistance be provided? Specify sessions and other formats you will provide to offer this service to your clients.	
10. Other services	
What other services will you provide to your ME clients? List any other services offered to ME clients.	
Who will provide these services? Specify what partner or ME staff will provide these services. If a partner provides, explain how this works.	
How will these services be provided? Specify sessions and other formats you will provide to offer these services to your clients.	

Marketing and Promotions	
Use this section to describe how you will market your services to potential clients.	
1. Marketing plan	
Methods to reach new and existing clients: Specify the methods you will use to reach your clients.	
Attachment C: Attach Sample Marketing Materials (brochures, flyers, advertisements, etc.)	
2. Marketing partners. Using the chart in the application, identify partners that help you market your program, and specify their contributions to your plan.	
3. Marketing calendar. Using the chart in the application, provide a timetable of your marketing plan, and indicate who is responsible for each activity.	

Program Impact through Projected Goals	
Use this section to explain your program's impact. Remember the main outcomes of the VEI program.	
1. VEI goal projections. Using the chart in the application, provide numeric projections for contract years 2006 and 2007 for each of the outcome measurements. Attach an analysis that explains how you determined the projection for each of the measurements. (These numbers should be based on the numbers developed for the Annual Projections Chart – Attachment B). Please refer to pages 16-17 of the instruction guide for VEI definitions of these measures.	
# of total individuals served (training: business plan development training and business skills training, one-on-one technical assistance, microloans, and follow-up or post-loan assistance)	From July 1, 2006, tally each person who gets assistance across the four service areas (combined total). One person may access multiple services but may only be counted once.
# of attendees enrolled in business skills training	From July 1, 2006, tally the number of attendees who have enrolled in business skills training. To be counted, the attendee must have participated in the training.
# of hours MDO spends on business skills training (class time)	From July 1, 2006, tally the total number of hours of class time spent on all combined sessions of business skills training.
# of attendees enrolled in business plan development training	From July 1, 2006, tally the number of people who have enrolled in business plan development training. To be counted, the individual must have participated in the training.
# of hours MDO spends on business plan	From July 1, 2006, tally the number of hours

Program Impact through Projected Goals	
development training (class time)	of class time spent on business plan development training.
# of business plans completed	From July 1, 2006, tally the number of business plans approved as a result of business plan development training.
# of individuals accessing one-on-one technical assistance	From July 1, 2006, tally the number of people who have accessed pre- and post-loan one-on-one technical assistance.
# hours spent on individuals accessing one-on-one technical assistance	From July 1, 2006, tally the number of hours spent on people who have accessed pre- and post-loan one-on-one technical assistance.
# of VEI microloans issued	From July 1, 2006, tally the number of microloans issued from VEI funds.
# of non-VEI microloans issued	From July 1, 2006, tally the number of microloans issued from fund sources other than VEI.
\$ amount of available microloan funds	Specify the total dollar amount available for microloan funds from all sources combined.
\$ amount of issued microloans	Specify the total dollar amount of all issued microloans, no matter the source of funds.
# of ME businesses started	Specify the number of ME businesses started as a result of the services of your MDO
# of jobs created or retained from ME businesses started	Specify the number of jobs created or retained as a result of an ME business starting up.
# of ME businesses expanded/strengthened	Specify the number of ME businesses expanded or strengthened as a result of the services of your MDO.
# of jobs created or retained from ME businesses expanded/strengthened	Specify the number of jobs created or retained as a result of an ME business expanding.
# of individuals who are low-income	Of the total # of participants served, specify how many are low-income.
# of individuals who are minority	Of the total # of participants served, specify how many are minority
# of individuals who are female	Of the total # of participants served, specify how many are female.
2. Impact on Target Market and Service Area	
Illustrate how your MDO will meet the needs of the target market in your service area. Summarize the need for your MDO's services in the target market and explain how your MDO meets that need.	
Summarize expected outcome from projected goals. Explain the overall impact of your ME services on the target market.	

Financials

This section includes your financial projections and demonstrates what return on investment of VEI funds your MDO projects to accomplish.

1. Amount of VEI grant funding you are requesting for July 1, 2006 – June 30, 2007: \$
Enter the required amount.

2. Justify the need for VEI funding: Explain your program's need for VEI funding. What difference will VEI funding make to your program?

3. Estimated VEI cost per ME business

	Year 1 July 06 – June 07
Total VEI funding requested	\$ Enter the amount you are requesting.
Estimated # of ME businesses started or expanded	Insert number from your projections
Cost per ME business	\$ Divide the total VEI funding requested by the estimated # of businesses started or expanded.

4. Cost per ME participants (includes clients)

	Year 1 July 06 – June 07
Total VEI funding requested	\$ Enter the amount you are requesting.
Estimated # of participants	Insert number from your projections
Cost per ME participant	\$ Divide the total VEI funding requested by the estimated # of participants.

5. Cost per ME loan

	Year 1 July 06 – June 07
Total VEI funding requested	\$ Enter the amount you are requesting.
Estimated # of ME loans	Insert number from your projections
Cost per ME loan	\$ Divide the total VEI funding requested by the estimated # of ME loans.

6. Attach a completed budget form (Attachment D) for your ME program. Include your entire ME program budget figures, not just the VEI funding figures.

7. Attach a completed in-kind documentation form (Attachment E) for your ME program. Specify the amount of in-kind service provided, the source of the provision, and how it is clearly linked to the ME program.

8. Attach completed chart for sources of funds (Attachment F). Specify the breakdown of funds for your ME program. Attach letters of commitment, support and memoranda of understanding, ensuring that they are current.

Additional Information
This is the place to submit any other supporting documentation that is helpful or persuasive to the reviewers of your plan.
1. Describe any unique program features that will enhance your ability to meet the program goals.
2. Describe any special arrangements for potential clients:
3. Include any other relevant information. Explain and/or attach any other information.

ATTACHMENTS

Include attachments for the following:

- A. Organizational Chart and Resumes of Staff
Space has been provided for you to insert your own organizational chart. Please include resumes of all ME staff.

- B. Annual Projections Chart
Enter the figure you calculated for target market. (This number comes from the gray box on p. 5). Please enter other data in chart.

- C. Sample Marketing Materials (brochures, flyers, advertisements, etc.)
Please include any sample materials which show how you market your ME program.

- D. Budget Form for ME Program
Please complete the attached spreadsheet with the appropriate data for your ME program.

- E. In-kind Documentation Form for ME Program
Please complete the attached spreadsheet with the appropriate data for your ME program.

- F. Sources of Funds Form and Attached Documentation
Please complete the attached spreadsheet and be sure to attach match documentation.

Methodology for Calculating the Number of Households with Incomes Below 80% of Median

Step 1: Calculate 80 percent of median household income.

80 percent of Median = Median Household Income x 0.8
for Entire City or County

Steps 2 through 4: Calculate the number of households with incomes below 80 percent of median.

Step 2: Identify the income classes that fall completely below the median (figure calculated in Step 1), and sum the number of households reported in each of these income classes.

EXAMPLE:

The following information is provided in the 2000 Census for one of the counties that the VEI program serves. The 2000 Census reports that the median household income for the entire county is \$24,780.80.

Thus, following the formula in step 1 above, 80% of the median household income for the entire county is:

$$\text{\$19,824.64} = \$24,780.80 \times .80$$

INCOME CLASS	HOUSEHOLDS
LESS THAN \$10,000	457
\$10,000 to \$14,999	345
\$15,000 to \$24,999	641
\$25,000 to \$34,999	513
\$35,000 to \$49,999	478
\$50,000 to \$74,999	575
\$75,000 to \$99,999	215
\$100,000 to \$149,999	204
\$150,000 to \$199,999	86
\$200,000 or more	73
MEDIAN	\$24,780.80

The income ranges that fall completely below \$19,824.64 are "Less than \$10,000" and "\$10,000 to \$14,999." The total number of households with incomes within these income ranges is 802.

$$802 = 457 + 345$$

Step 3: Identify the number of households reported in the income class containing the figure calculated (\$19,824.64) from the formula in Step 1. Calculate the number of

households whose income was below 80 percent of the median, using the following formula:

$$\begin{array}{l} \text{Number of Households} \\ \text{in Income Class with} \\ \text{Incomes Below 80\% of} \\ \text{Median} \end{array} = \frac{\begin{array}{l} \text{80\% of Median Income} \\ \text{for Entire City or County} \\ \text{Largest Figure in Income} \\ \text{Class} \end{array} - \begin{array}{l} \text{Smallest Figure in} \\ \text{Income Class} \\ \text{Smallest Figure in} \\ \text{Income Class} \end{array}}{\begin{array}{l} \text{Smallest Figure in} \\ \text{Income Class} \\ \text{Smallest Figure in} \\ \text{Income Class} \end{array}} \times \begin{array}{l} \text{Number of} \\ \text{Households} \\ \text{Income Class} \end{array}$$

EXAMPLE: Continuing the example begun in Step 2, the income range containing \$19,824.64 is "\$15,000 to \$24,999. The number of households in this income range is 641. The number of these households with income below \$19,824.64 is 310.

$$\frac{\$19,824.64 - \$15,000}{\$24,999 - \$15,000} \times 641 = .483 \times 641 = 310$$

Step 4: To determine the total number of households with incomes below 80% of median, sum the results of Steps 2 and 3.

EXAMPLE: Continuing the example begun in Steps 2 and 3, the total number of households with incomes below \$19,824.64 is 1,429.

$$1,112 = 802 + 310$$

Step 5: Repeat Steps 2 and through 4 for each 2000 Census County, City, or Town encompassing the VEI service area for the MDO and sum the results.

VEI Programmatic Definitions

Brokering Services

Collaboration with other organizations (i.e., community development agencies, banks, Small Business Development Centers, and social service agencies) to provide services to clients. This may result in expansion of services and reduction of costs for the VEI microenterprise development program. VEI brokered services may include training focused on microenterprise as well as microloans. One-on-one technical assistance and post-loan assistance may not be brokered.

Business

Any commercial, for-profit entity authorized to do business in the Commonwealth of Virginia.

Business Plan

A written document containing management, marketing, operational, market research, financial information that demonstrates the strengths and weaknesses of a business idea and the business' ability to succeed.

Business Plan Development Training

Multi-day courses that lead to the development of a business plan for an entrepreneur. Courses may provide more in-depth exposure to particular topics or components of a business plan, i.e. finance, marketing or personnel.

Business Skills Training

Single-session group trainings with microentrepreneurs that may cover specific topics such as, marketing assistance, website design, or personnel management.

Credit Enhancement

A tool for reducing risk to the lender and thereby making the borrower more attractive. An example of such a tool may be a guaranty or an improvement of loan terms based on a regularized savings scheme.

Contract Period

The state of Virginia's fiscal year, i.e. July 1, 2006 – June 30, 2007.

Loan Pool

An accumulation of loan capital provided by DHCD or other sources which is loaned and available to loan.

Loan Loss Reserve

General reserve account established by the VEI site to absorb loan losses.

Microenterprise (ME)

A microenterprise is a business with five or fewer employees that requires \$35,000 or less in capital.

Microentrepreneur

A low-income, female or minority entrepreneur who is seeking capital and/or technical assistance in the start up or expansion of a microenterprise.

Microenterprise Development Organization (MDO)

Local organization that delivers microenterprise services. Services offered may include business skills training, business plan development training, one-on-one technical assistance, microloans and post-loan assistance.

Non-VEI Microloan

Capital provided by a source other than DHCD's VEI program which is disbursed to existing or potential microentrepreneurs in the amount of \$35,000 or less.

Revolving Loan Fund

A source of loan capital for microloans provided to entrepreneurs. Available capital may be from both VEI and non-VEI sources. Payments are returned directly to the fund and used to make new loans.

Service Area

The geographic region, and the populations within it, where the VEI site offers business skills training, technical assistance and loan capital.

Target Market

The population within a service area that the VEI site serves which may include low-income, female or minority entrepreneurs.

Technical Assistance

One-on-one business related consulting services to existing or potential entrepreneurs via individual meetings, e-mail or telephone.

VEI Microloan

Loan capital provided by DHCD's VEI program which is disbursed to existing or potential microentrepreneurs in the amount of \$35,000 or less.